

**VILLAGE OF WELLSVILLE
156 NORTH MAIN STREET
WELLSVILLE, NEW YORK 14895**

March 4, 2014

Hon. Kathleen H. Burgess, Secretary
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, New York 12223-1350

Dear Secretary Burgess:

Re: Village of Wellsville - Electric Rates

Enclosed please find an electronic copy of the revised Leaf Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16 of PSC No. 1 - Electricity for the Village of Wellsville (Village), issued March 4, 2014, to be effective July 1, 2014.

The proposed Tariff Leaves will increase the base revenue portion (customer charge and energy charge) of the monthly bill of a residential customer using 750 kilowatt-hours from \$32.78 to approximately \$35.23, or 7.49%. The proposed change will increase the Village's normalized annual base revenues by \$217,052 (from \$1,974,220 to \$2,191,272). The filing is a "mini-filing" under the Commission's Rules of Procedures, and a hearing is not required.

The Village

The Village operates a municipal electric utility in the Village of Wellsville, New York. It is governed by a Mayor and Board of Trustees and provides service to approximately 2,900 customers. The Village's service area is located in New York's Southern Tier in Allegany County. The average number of customers has remained consistent over the last several years; with little or no growth expected in the near term. The quality of service is excellent with no complaints. The electric safety record of the Village is excellent. The Village's Electric Department is well managed and professionally operated.

The Village continues to be an efficient and successful public power community. The Village will continue to provide safe, reliable, low cost power to its customers. Recognizing the need to use its low cost power prudently and efficiently, the Village will continue its programs promoting energy efficiency and strategically invest in economic development.

The Rate Filing

The Village's last rate increase was approximately 12 years ago with an effective date of October 1, 2002. There are several reasons for the current rate increase. First, the Village's rate of return on surplus for fiscal year 2013 (its most recent year end) was 2.89%. The forecasted rate of return, before the requested revenue increase, is expected to be negative (5.04%). The low rate of return generated in the most recent historic year is due to the fact that the rate base and operating costs have grown considerably since the last rate increase. With the proposed change in base revenues, the rate of return on surplus will be 4.53%.

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Second, more than half of the Village's expenses are related to purchased power expense with the next largest expense item being labor and fringe benefits. These costs continue to increase because of outside forces, and the Village's wishes to pay competitive wages and benefits in order to retain the existing workforce.

Third, the Village's Electric Department has been operating for some time without the services of an Electric Technician, who would oversee the various capital improvement programs related to the electric distribution system, including the anticipated upgrade to the Village's existing substation (discussed below). It is the Village's intentions to hire for this position, pending a successful rate increase, to help recover these costs.

Finally, the Village is looking to perform a major upgrade and renovation of its existing, and sole substation. The existing substation was constructed in 1969, with certain upgrades being conducted in 1973 and 1974. An original transformer was replaced in 1996. Most substation equipment has now been in service from 40 to 45 years, and has been compromised to a point whereby reliability and safety have become a concern. The total cost of the upgrade/renovation, as estimated by the Village's independent engineering firm, is approximately \$2,257,000, of which approximately half of this cost will be incurred during the Rate Year. The upgrade/renovation is expected to be financed by the issuance of long-term debt, to spread the cost of the upgrade/renovation over many years to the benefit of current and future electric rate payers.

This filing requests an increase in base revenues of approximately \$217,000 which allows the Village to file as a "mini-filing" under the Commission's Rules and Regulations.

The Village has made significant efforts to increase opportunistic revenues and revenue sources and to economize and improve efficiencies to generate cash flows. These efforts have not been sufficient to offset rising mandated costs, inflation, and the impact of reduced demand.

The Village's proposed rate design was structured so that each customer class would receive the same rate increase. The Village also proposes a fixed factor of adjustment of 1.068706, the average factor of adjustment over the last six years, to be applied to its customer billings, via the Purchased Power Adjustment.

In addition, the revised tariff includes the Village's desires to perform an annual reconciliation of its Purchased Power Adjustment to determine whether there was an under or over billing of purchased power expense during the preceding year.

The filing provides an ample basis for the Commission to process the application expeditiously. The filing contains three years of income statements and projections of revenues, expenses, and rate base. The filing is based on fiscal year May 31, 2013 data, the Village's most recent year-end for which data is available. The Village has detailed back-up workpapers supporting the rate request and will provide them to staff in electronic and hard copy format upon request.

Public Notice

The Village will individually notify each of its customers regarding the rate request via billing inserts. Notice will also be made to the public in a local newspaper for four (4) consecutive weeks.

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Further Information

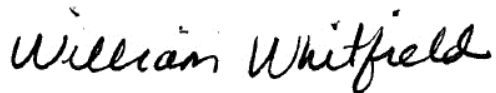
The Village asks that questions regarding this filing be directed to:

Earl Johnson, Village Treasurer
Village of Wellsville
156 North Main Street
Wellsville, New York 14895
Tel: (585) 593-1121
treasurer@wellsvilleny.com

The Village also utilized the assistance of William C. Freitag, CPA, of SaxBST LLP, in the development and submission of this filing. Please feel free to contact Mr. Freitag at (518) 459-6700.

Respectfully submitted,

VILLAGE OF WELLSVILLE

A handwritten signature in black ink that reads "William Whitfield". The signature is written in a cursive, flowing style.

William Whitfield
Director of Public Works

WW/dmc
Enclosures